Exclusivity Issues in Olympic Sponsorship

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Poster

Over the last two years, the organizer of the Beijing 2008 Olympic Games (BOCOG) has awarded sponsorship rights to three beer companies. In October 2004, Anheuser-Busch’s Budweiser (referred as Budweiser thereafter) became the official international beer sponsor. Six months later, Beijing Yanjing Brewery Co. Ltd (referred to as Yangjing thereafter) was identified as the official domestic beer sponsor. However, Tsingtao Brewery Co. Ltd (referred as Tsingtao thereafter) was also entered a sponsorship agreement to be the official domestic beer sponsor in August 2005. The motives of these three companies to be associated with the BOCOG are diverse. Yanjing believes that sponsoring the BOCOG is an important strategy for the company to become an international brand (People’s Daily Online, 2005). Budweiser expects its sponsorship with the BOCOG to reinforce its commitment to supporting the communities where they do business (Modern Brewery Age, 2004). Tsingtao wants to enhance its positive corporate image and achieve its goal to be a global leader in the beer industry through its sponsorship with the BOCOG (Tsingtao Beer, 2005).

It is the first time in the history of the Olympics that three companies are non-exclusively sharing the sponsorship right in the same product category. The case seems to contradict the general consensus among scholars in sport sponsorship that corporations have a strong desire to put large amount money in obtaining the exclusive benefits through sponsorship of the Olympic Games (McMahon, 1996; Mullin, Hardy, & Sutton, 1993). Such contradiction inspired us to look at the exclusivity issues in Olympic sponsorship.

Sport sponsorship is defined as investing in a sports entity (athlete, league, team, or event) to support overall organizational objectives, marketing goals, and promotional strategies (Shank, 2004, p. 330). Mullin, Hardy, and Sutton (2000) define sponsorship as the acquisition of rights to affiliate or directly associate with a product or event for the purpose of deriving benefits related to that affiliation or association (p. 254). Both definitions show that sport sponsors expect some benefits from their investment for acquiring the right to associate their products with a particular sport property. In a previous study, exclusivity was ranked as the 3rd most important benefit that sport sponsors expect from a sponsorship agreement (League Report Card, 2003). Other important benefits discussed in past studies included brand awareness (Hoek, Gendall, Jeffcoat, & Orsman, 1997), reaching new target markets (MassMutual-Visa, 2004), increased sales (Karabetsos & Ludwig, 1999), and building brand image (Ferrand & Pages, 1996).

Although exclusivity was one of the benefits frequently mentioned in the studies related to sport sponsorship, the reasons why a company chooses to be a non-exclusive sponsor of the Olympic Games and other sporting events have not been studied extensively yet. It is a common phenomenon that the organizer of a sport event offers both exclusive and non-exclusive sponsorship options to potential sponsors. If both exclusive and non-exclusive sponsorship options are available, what are the circumstances under which a company makes decisions to become either an exclusive or a non-exclusive sponsor? If non-exclusivity is the only option, just like the case mentioned previously in which Tsingtao and Yanjing shared the title official domestic beer sponsor after Budweiser became the official international beer sponsor of the BOCOG, what are the decision-making criteria for a company to decide if it should become a sponsor?

The sponsorship decision-making process has been studied by several researchers over the past 10 years. A study conducted by Copeland, Frisby, and McCarville (1996) discussed the criteria used by Canadian corporations in selecting sporting events to sponsor. The results of their study showed that the return on investment was a criterion most frequently used by Canadian corporations in making their sponsorship decisions. Other criteria used by Canadian corporations in selecting sponsorship opportunities included exclusivity, public awareness, and positive image.

The purpose of this study is to examine exclusivity issues in Olympic sponsorship so as to develop a conceptual model of a sponsor’s decision-making process on becoming either an exclusive or non-exclusive sponsor for the Olympic Games. It is the author’s hope that this study will provide suggestions for sport executives to make effective sponsorship decisions with a consideration of the variables discussed in the model.

Based on the review of literature in the decision-making process, the analysis of current cases pertaining to exclusivity in the Olympic Games, we developed a conceptual model within the framework of Simon’s bounded rationality decision-making
model (Kahneman, 2003). Our conceptual model suggests that the process of making a sponsorship decision typically involves three steps. The first step is to review the sponsorship objectives (corporate related or product/brand related). Scott, Woods, and Booker (1998) mentioned that there were two categories of sponsorship objectives: corporate related (i.e., block competition, enhanced company image, increased awareness of the company, heightened community involvement) and product/brand related objectives (i.e., target marketing, branding positioning, increased sales/market share). The second step is to choose the best option among given alternatives after gathering and evaluating data relevant to the objectives. The last step is to make the final decision in terms of whether or not the exclusive or non-exclusive option should be chosen after considering all the execution related variables (implementation, leverage, and evaluation).

The proposed decision-making model was then examined and discussed with the above mentioned case related to the BOCOG in which three peer companies are non-exclusively sharing the sponsorship rights. The result of the examination indicated that the non-exclusive sponsorship was the best option for each of the three companies to actualize its sponsorship objectives. The conceptual model proposed in this study will provide future sponsors of the Olympic Games and other sporting events with a logical roadmap when contemplating whether or not they should choose exclusive or non-exclusive sponsorship option.